

A G E N D A

ADJOURNED MEETING

OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY FOR THE SEAL BEACH REDEVELOPMENT AGENCY

Tuesday ~ January 8, 2013 ~ 5:30 p.m.

City Hall Conference Room
211 Eighth Street
Seal Beach, California

BOARD MEMBERS:

| | |
|-------------------------------|---------------------------------------|
| City of Seal Beach | Jill R. Ingram Alayna Hoang |
| OC Board of Supervisors | Michael P. Levitt Gordon A. Shanks |
| OC Department of Education | Patricia L. Meyer |
| CA Community College District | Andy Dunn |
| Special District | (To be determined) |

Next Oversight Board Resolution: Number OB12-11

This Agenda contains a brief general description of each item to be considered. No action or discussion shall be taken on any item not appearing on the agenda, except as otherwise provided by law. Supporting documents, including agenda staff reports, and any public writings distributed to at least a majority of the Oversight Board regarding any item on this agenda, are available for review at the Seal Beach City Hall in the City Clerk's Office located at 211 Eighth Street, Seal Beach, California, Monday through Friday, between the hours of 8:00 a.m. and 5:00 p.m. or contact the City Clerk, at ☎ (562) 431-2527.

In compliance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the City Clerk's office at ☎ (562) 431-2527 at least 48 hours prior to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

COUNCIL ROLL CALL

ORAL COMMUNICATIONS

At this time members of the public may address the Oversight Board regarding any items on this agenda. Pursuant to the Brown Act, the Board cannot discuss or take action on any items not on the agenda unless authorized by law. Those members of the public wishing to speak are asked to come forward and state their name for the record. All speakers will be limited to a period of 3 minutes.

BUSINESS MATTERS

1. **Minutes of the Oversight Board meeting of December 11, 1012** – Approve by minute order.
2. **Due Diligence Review (DDR)** – Adopt **Resolution No. OB12-11** adopting the Due Diligence Review report prepared by Lance, Soll & Lunghard, LLP pursuant to the health and safety code §34179.5 of AB 1484. (Public Comment Session ended 12/18/12)

ADJOURNMENT

Next regular meeting scheduled for February 5, 2013 at 5:30 p.m.

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
TO THE SEAL BEACH REDEVELOPMENT AGENCY**

AGENDA STAFF REPORT

DATE: January 8, 2013
TO: Oversight Board Members
FROM: Sean P. Crumby, Staff Member
SUBJECT: **MINUTES OF THE OVERSIGHT BOARD**

SUMMARY OF REQUEST

Approve the minutes for the Oversight Board special meeting of December 11, 2012

BACKGROUND

This section does not apply to this item.

RECOMMENDATION

Approve the minutes for the Oversight Board special meeting of December 11, 2012

Attachment:

1. Minutes

Seal Beach California
December 11, 2012

The Oversight Board for the Successor Agency to the Seal Beach Redevelopment Agency met for a re-scheduled meeting at 5:30 p.m. in the City Hall Conference room with Chair Shanks calling the meeting to order and Board member Levitt lead the Salute to the Flag.

ROLL CALL

Present: Board Members: Alayna Hoang, City of Seal Beach
Jill R. Ingram, City of Seal Beach
Michael Levitt, OC Board of Supervisors
Gordon Shanks, OC Board of Supervisors
Andy Dunn, CA Community Colleges
Absent: Board Member: Patricia Meyer, OC Department of Education
Staff: Sean P. Crumby, Assistant City Manager
Victoria L. Beatley, Director of Finance
Linda Devine, City Clerk/Secretary

ORAL COMMUNICATIONS

Chair Shanks opened oral communications. There were no speakers, Chair Shanks closed oral communications.

BUSINESS MATTERS

ITEM "1" / APPROVE MINUTES / October 2, 2012 and October 11, 2012

Levitt moved, second by Ingram, to approve the minutes as presented.

AYES: Hoang, Ingram, Levitt, Shanks
NOES: None
ABSTAIN: Dunn
ABSENT: Meyer Motion carried

ITEM "2" / RESOLUTION NO. OB12-09 / DUE DILIGENCE REVIEW

Director of Finance provided a brief staff report stating that this was the final audit of Due Diligence report, distributed to the Board a revised page to the report (page 15) that showed a change to the footnote, and stated that there is a 5 day public comment period before the Board can adopt the report. Board members received clarification on how the funds were being distributed.

Levitt moved, second by Dunn, to adopt Resolution No. OB12-09 entitled "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY ACKNOWLEDGING THE RECEIPT OF THE REVIEW FOR FUND AND ACCOUNT BALANCES OF THE SUCCESSOR AGENCY CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5" and opened the 5 day public comment period.

AYES: Dunn, Hoang, Ingram, Levitt, Shanks
NOES: None
ABSENT: Meyer Motion carried

ITEM "3" / RESOLUTION NO. OB12-10 / MARINA DRIVE STORM DRAIN PROJECT NO. SD1201

Assistant City Manager/Director of Public Works presented the staff report explaining the project was from the master plan as the highest priority and the project is from the existing West End pump station starting at Corsair Way to Marina Drive – this would allow an increase of water flow to the pump station – the Successor Agency approved the project at the December 10, 2012 meeting.

Dunn moved, second by Levitt to adopt Resolution No. OB12-10 entitled "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY APPROVING CONTRACTS APPROVED BY THE SUCCESSOR AGENCY FOR THE MARINA DRIVE STORM DRAIN IMPROVEMENTS PROJECT NO. SD1201 WITH: BUBALO CONSTRUCTION COMPANY; PSOMAS; CASULAS CONSTRUCTION SERVICES; AND ASSOCIATED SOILS ENGINEERING".

ADJOURNMENT

With no objections the Chair adjourned the meeting at 5:49 p.m. to Tuesday, January 8, 2013 at 5:30 p.m.

Chair Shanks

Date Approved

Attested: _____
City Clerk/Board Secretary

OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY

AGENDA STAFF REPORT

DATE: January 8, 2013

TO: Oversight Board Members

FROM: Victoria L. Beatley, Staff Member

SUBJECT: **APPROVAL AND TRANSMITTAL OF THE DUE DILIGENCE REVIEW FOR NON-HOUSING FUND AND ACCOUNT BALANCES OF THE FORMER SEAL BEACH REDEVELOPMENT AGENCY IN ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34179.5**

SUMMARY OF REQUEST

That the Oversight Board adopt Resolution No. OB12-11;

- (i) approving the due diligence review for fund and account balances of the former Seal Beach Redevelopment Agency (the "Other Funds DDR") pursuant to Health and Safety Code Section 34179.5, as presented
- (ii) authorizing the Successor Agency to retain the assets and funds, if any, identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Other Funds DDR (the "Restricted Assets"), and
- (iii) ordering the transmittal of the Other Funds DDR to the Department of Finance and the county auditor-controller.

BACKGROUND

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct two due diligence reviews, the Low and Moderate Income Housing Fund due diligence review (the "LMIHF DDR") and the Other funds DDR, to determine the unobligated balances available for transfer to taxing entities.

Pursuant to Section 34179.6, the Other Funds DDR must be completed and transmitted to the oversight board by December 15, 2012.

The Other funds DDR is a review of the cash and cash equivalents, as of June 30, 2012, in the successor agency's funds and accounts, other than the Low and Moderate Income Housing Fund, to determine the amount available for disbursement to taxing entities. In summary, such amount is determined to be the total value of assets and cash and cash equivalents in all funds and accounts of the former redevelopment agency, excluding the Low and Moderate Income Housing Fund, minus the following Restricted Assets: (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule ("ROPS") for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the city, another public agency or private person if an enforceable obligation to make that transfer did not exist. The Other Funds DDR documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

Health and Safety Code Section 34179.6 requires each successor agency to submit the Other Funds DDR to the oversight board for the oversight board's review and approval.

After receipt of the Other Funds DDR, the oversight board must convene a public comment session to take place at least five business days before the oversight board holds the approval vote. The oversight board also must consider any opinions offered by the county auditor-controller on the review results submitted by the successor agency.

By January 15, 2013, the oversight board must review, approve, and transmit the Other Funds DDR to the State Department of Finance ("DOF") and the county auditor-controller. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the Other Funds DDR.

Section 34179.6 empowers the oversight board to authorize a successor agency to retain the Restricted Assets.

The DOF must complete its review of the Other Funds DDR no later than April 1, 2013, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss

any modifications.

By April 20, 2013, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency, and specifically noting any successor agency that failed to remit the full required amount.

Upon full payment of the amounts determined pursuant to the LMIHF DDR and the Other Funds DDR, payment of the "surplus" tax revenues due on July 12, 2012, if any, and payment of any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five business days, a finding of completion of the requirements of Section 34179.6.

Lance, Soll & Lunghard, LLP, Certified Public Accountants and Consultants were retained by the Successor Agency to conduct the Other Funds DDR.

The Oversight Board held the required public comment session regarding the Other Funds DDR on December 11, 2012.

RECOMMENDATION

That the Oversight Board adopt Resolution No. OB12-11.

RESOLUTION NUMBER OB12-11

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW FOR FUND AND ACCOUNT BALANCES OF THE FORMER SEAL BEACH REDEVELOPMENT AGENCY CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5 AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

RECITALS:

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Seal Beach Redevelopment Agency transferred to the control of the Successor Agency to the Seal Beach Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Pursuant to Health and Safety Code Section 34179.6, on October 11, 2012, the Oversight Board of the Successor Agency (the "Oversight Board") approved the results of the due diligence review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities.

D. Health and Safety Code Section 34179.6 also requires the Successor Agency to submit to the Oversight Board for the Oversight Board's review and approval the results of the due diligence review conducted pursuant to Section 34179.5 for all other fund and account balances of the former Seal Beach Redevelopment Agency, excluding the LMIHF, and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Other Funds DDR").

E. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Other Funds DDR and a copy of the Recognized Obligation Payment Schedule ("ROPS").

F. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Other Funds DDR, and at least five business days before the Oversight Board considers the approval of the Other Funds DDR, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Other Funds DDR and at which time the Oversight Board shall consider the opinions, if any, offered by the county auditor-controller on the results of the Other Funds DDR.

G. On December 11, 2012, the Oversight Board held the Public Comment Session pursuant to Health and Safety Code Section 34179.6 (b).

H. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board must review, approve and transmit to DOF and the county auditor-controller, the determination of the amount of cash and cash equivalents available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. Section 34179.6 (c) provides that the Oversight Board may adjust any amount provided in the Other Funds DDR to reflect additional information and analysis.

I. Section 34179.6(c) empowers the Oversight Board to authorize the Successor Agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5. If the Oversight Board makes this authorization, the Oversight Board must identify to DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of DOF pursuant to Health and Safety Code Section 34179.6(d).

J. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board desires to approve the Other Funds DDR and to authorize the Successor Agency to retain the assets and funds, if any, identified pursuant to subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Other Funds DDR.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34179.6(c).

Section 3. The Oversight Board hereby approves the Other Funds DDR as presented and on file with the Secretary.

Section 4. The staff of the Successor Agency is hereby directed to transmit to DOF and the county auditor-controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5. Such notice to DOF shall be provided by electronic means and in a manner of DOF's choosing.

Section 5. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

(Intentionally Left Blank)

PASSED, APPROVED AND ADOPTED by the Oversight Board at a meeting held on the 8th day of January, 2013.

AYES: Board Members: _____

NOES: Board Members: _____

ABSENT: Board Members: _____

ABSTAIN: Board Members: _____

CHAIR, OVERSIGHT BOARD

ATTEST:

SECRETARY, OVERSIGHT BOARD

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF SEAL BEACH)

I, Linda Devine, Secretary to the Oversight Board, hereby certify that the foregoing resolution was duly adopted at a meeting of the Oversight Board, held on the 8th day of January, 2013.

SECRETARY, OVERSIGHT BOARD



**Successor Agency of the Former
Seal Beach Redevelopment Agency**

**Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012**

Lance Soll & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

www.lslcpas.com

Successor Agency of the Former
Seal Beach Redevelopment Agency

Due Diligence Review
of the Other Redevelopment Agency Funds
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)
of Assembly Bill No. 1484 of 2012

• Brandon W. Burrows, CPA
• David E. Hale, CPA, CFP
 A Professional Corporation
• Donald G. Slater, CPA
• Richard K. Kikuchi, CPA
• Susan F. Matz, CPA
• Shelly K. Jackley, CPA
• Bryan S. Gruber, CPA
• Deborah A. Harper, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Successor Agency of the
Former Seal Beach Redevelopment Agency
City of Seal Beach, California

We have performed the procedures enumerated in Attachment A for the Other Redevelopment Agency Funds, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Lance, Soll & Lunghard, LLP

Brea, California
November 30, 2012

List of Procedures for Due Diligence Review of the Other Redevelopment Agency Funds

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.
2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
 - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

4. Perform the following procedures:
 - a. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
 - c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
 - d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.
5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.
6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012, that are restricted for the following purposes:
 - a. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - b. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
 - c. Other assets considered to be legally restricted:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
 - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
7. Perform the following:
- a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
 - c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
 - d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.
8. Perform the following:
- a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- b. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
 - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- c. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- d. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.
9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.
10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).
11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Procedure 1

ATTACHMENT B1

List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency

Other Redevelopment Agency Funds

As of February 1, 2012

| Asset | Balance at 2/1/2012 |
|----------------------------------|----------------------------|
| Cash | \$ 5,047,279 |
| Cash with Fiscal Agent | 740,769 |
| Accounts Receivable | 466 |
| Land and Land Improvements | 403,192 |
| Buildings and Structures, net | 406,973 |
| Total Assets transferred: | \$ 6,598,679 |

Procedure 2

ATTACHMENT B2

**Listing of Transfers (Excluding Payments for Goods and Services) to the City
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012**

From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012

No transfers were made to the City during this time period or they were minimis

From Successor Agency to City for February 1, 2012 through June 30, 2012

No transfers were made to the City during this time period or they were minimis

Procedure 3

ATTACHMENT B3

**Listing of Transfers (Excluding Payments for Goods and Services) to Other Public Agencies or Private Parties
Other Redevelopment Agency Funds
For the Period from January 1, 2011 through June 30, 2012**

From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012

No transfers were made to the other public agencies or private parties during this time period or they were minimis

From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012

No transfers were made to the other public agencies or private parties during this time period or they were minimis

Procedure 4

ATTACHMENT B4

Summary of the Financial Transactions of Redevelopment Agency and Successor Agency

All Funds

Per schedule attached to List of Procedures for Due Diligence Review

| | Redevelopment Agency 12 Months Ended 6/30/2010 | Redevelopment Agency 12 Months Ended 6/30/2011 | Redevelopment Agency 7 Months Ended 1/31/2012 | Successor Agency 5 Months Ended 6/30/2012 |
|---|---|---|--|--|
| Assets (modified accrual basis) | | | | |
| Cash & Investments | \$ 5,848,040 | \$ 6,087,706 | \$ 6,532,264 | \$ 6,712,529 |
| Cash with Fiscal Agent | 740,769 | 740,769 | 740,769 | 740,769 |
| Tax Increments Receivable | 17,535 | 2,822 | - | - |
| Accounts Receivable | 4,364 | 10,484 | 593 | 5,423 |
| Loans Receivable | 1,848,230 | 1,957,603 | 1,985,016 | 1,971,776 |
| Total Assets | \$ 8,458,938 | \$ 8,799,384 | \$ 9,258,642 | \$ 9,430,497 |
| Liabilities (modified accrual basis) | | | | |
| Accounts payable | \$ 96,802 | \$ 54,825 | \$ 240,075 | \$ 1,019,581 |
| Other Liabilities | 1,301 | 300 | - | - |
| Total Liabilities | 98,103 | 55,125 | 240,075 | 1,019,581 |
| Equity | 8,360,835 | 8,744,259 | 9,018,567 | 8,410,916 |
| Total Liabilities + Equity | \$ 8,458,938 | \$ 8,799,384 | \$ 9,258,642 | \$ 9,430,497 |
| Total Revenues: | \$ 2,282,602 | \$ 3,466,588 | \$ 1,554,887 | \$ 673,961 |
| Total Expenditures: | (2,873,188) | (3,083,164) | (1,280,579) | (269,404) |
| Total Transfers: | - | - | - | (1,012,208) |
| Net change in equity | (590,586) | 383,424 | 274,308 | (607,651) |
| Beginning Equity: | 8,951,421 | 8,360,835 | 8,744,259 | 9,018,567 |
| Ending Equity: | \$ 8,360,835 | \$ 8,744,259 | \$ 9,018,567 | \$ 8,410,916 |
| Other Information (show year end balances for all four periods presented): | | | | |
| Capital assets as of end of year | \$ 1,041,900 | \$ 3,258,826 | \$ 1,938,264 | \$ 1,938,264 |
| Long-term debt as of end of year | 6,078,775 | 6,830,012 | 5,125,000 | 5,125,000 |

Procedure 5
Listing of All Assets
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B5

| Assets | | | Amount | |
|--------------------------------------|-------------------------------|----|----------------|----------------------------|
| Cash | | | | |
| 300-000-10000 | Cash in Bank | \$ | 3,766,055 | |
| 303-000-10000 | Cash in Bank | | 1,036,322 | |
| 303-000-10018 | Cash Investment Evaluation | | <u>7,375</u> | |
| TOTAL CASH: | | | | \$ 4,809,752 |
| Cash with fiscal agent | | | | |
| 302-000-10010 | Cash with Fiscal Agent | | <u>740,768</u> | |
| TOTAL CASH WITH FISCAL AGENT: | | | | 740,768 |
| Accounts Receivable | | | | |
| 300-000-10011 | Accounts Receivable | | 3,242 | |
| 303-000-10011 | Accounts Receivable | | <u>1,091</u> | |
| TOTAL INTEREST RECEIVABLE: | | | | 4,333 |
| ⇒ Capital Assets | | | | |
| 300-000-11010 | Land and Land Improvements | | 403,192 | |
| 300-000-11011 | Machinery and Equipment, net | | 64,784 | |
| 300-000-11012 | Buildings and Structures, net | | <u>406,973</u> | |
| TOTAL CAPITAL ASSETS: | | | | <u>874,949</u> |
| TOTAL ASSETS AT 6/30/2012: | | | | <u><u>\$ 6,429,802</u></u> |

Procedure 6
Listing of Assets that are Restricted
Other Redevelopment Agency Funds
As of June 30, 2012

ATTACHMENT B6

| Item # | Description | Documentation Referenced | Amount | Purpose | Legal Documentation Obtained? (Y/N) |
|--------|---------------------------|--------------------------|-------------------|---|-------------------------------------|
| 1 | Cash with fiscal Agent | | | | |
| | a) Cash with Fiscal Agent | Trustee Stmt | \$ 740,768 | Held in trust by fiduciary per bond restrictions up to maturity date. | Y |
| | | TOTAL: | \$ 740,768 | | |

Procedure 7

ATTACHMENT B7

Listing of Assets That Are Not Liquid or Otherwise Available for Distribution

Other Redevelopment Agency Funds

As of June 30, 2012

| Item # | Description | Reference | Amount | Value Method | Variance Noted? (Y/N) |
|--------------------------------------|-------------------------------|---------------|-------------------|--------------|--------------------------|
| 1 | Accounts Receivable | | | | |
| | a) Accounts Receivable | 300-000-10011 | \$ 3,242 | Cost | N |
| | b) Accounts Receivable | 303-000-10011 | 1,091 | Cost | N |
| 2 | Capital Assets | | | | |
| | a) Land and Land Improvements | 300-000-11010 | 403,192 | Cost | N |
| | b) Machinery and Equipment | 300-000-11011 | 64,784 | Cost | N |
| | c) Buildings and Structures | 300-000-11012 | 406,973 | Cost | N |
| TOTAL RESTRICTIONS OF NON-CASH ITEMS | | | <u>\$ 879,282</u> | | |

Procedure 8a

ATTACHMENT B8a

Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations

Other Redevelopment Agency Funds

As of June 30, 2012

| Item # | Project Name | Reference | Approved Obligation Amount | Amount Paid in Period Ending June 30, 2012 | Amount Restricted for Obligation for June 30, 2012 Balance | Legal Documentation Obtained? (Y/N) |
|--------|----------------------------|-----------------|----------------------------------|--|--|---|
| 1 | 2000 Tax Allocation Bond A | ROPS 1, Line 18 | \$ 1,823 | \$ - | \$ 1,823 | Y |
| 2 | 2000 Tax Allocation Bond B | ROPS 1, Line 23 | 2,500 | - | 2,500 | Y |
| | | | <u>\$ 4,323</u> | <u>\$ -</u> | <u>\$ 4,323</u> | |

Procedure 8b

ATTACHMENT B8b

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations

Other Redevelopment Agency Funds

As of June 30, 2012

| Item # | Project Name | Reference | Approved Obligation Amount | Designated Amount Plus Estimated Future Revenues | Revenue Source | Amount Needed to be Retained from June 30, 2012 Balance | Legal Documentation Obtained? (Y/N) | |
|--------|----------------------------|-----------------|----------------------------------|---|-------------------|--|---|---|
| 1 | 2000 Tax Allocation Bond A | ROPS 2, Line 1 | \$ 551,943 | \$ 551,943 | RPTTF | \$ - | Y | |
| 2 | 2000 Tax Allocation Bond B | ROPS 2, Line 2 | 50,063 | 50,063 | RPTTF | - | Y | |
| 3 | Donald Parker | ROPS 2, Line 8 | 2,600 | - | | 2,600 | Y | a |
| 4 | 2000 Tax Allocation Bond B | ROPS 2, Line 11 | 1,823 | - | | 1,823 | Y | |
| 5 | 2000 Tax Allocation Bond A | ROPS 2, Line 12 | 2,500 | - | | 2,500 | Y | |
| 6 | 2000 Tax Allocation Bond B | ROPS 2, Line 13 | 2,500 | - | | 2,500 | Y | |
| 7 | Storm Drain Improvements | ROPS 2, Line 14 | 1,800,000 | - | | 1,800,000 | Y | b |
| 8 | Lance, Soll & Lunghard | ROPS 2, Line 15 | 4,600 | - | | 4,600 | Y | |
| 9 | SA Staff/Oversight Board | ROPS 2, Line 16 | 98,460 | 63,832 | RPTTF | 34,628 | Y | |
| 10 | Overhead | ROPS 2, Line 17 | 43,185 | - | | 43,185 | Y | |
| | | | <u>\$ 2,557,674</u> | <u>\$ 665,838</u> | | <u>\$ 1,891,836</u> | | |

Footnotes:

- a) Open contract for an "as needed" basis.
- b) 2008 Master Plan of Drainage Project (10 Year Storm Drain Improvement) approved by DOF on ROPS 2; staff report awarding contracts for final stages dated 12/10/12.

Procedure 8c

ATTACHMENT B8c

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments

Other Redevelopment Agency Funds

As of June 30, 2012

NO ASSETS NEED TO BE RETAINED DUE TO INSUFFICIENT PROPERTY TAX REVENUES FOR BOND DEBT PAYMENTS

Procedure 9

ATTACHMENT B9

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS
Other Redevelopment Agency Funds
As of June 30, 2012**

NO ASSETS NEED TO BE RETAINED DUE TO PROJECTED INSUFFICIENT PROPERTY TAX REVENUES FOR FUTURE ROPS

Procedure 10**ATTACHMENT B10****Summary of Other Redevelopment Agency Funds Available for Allocation to Affected Taxing Entities**

| | | |
|--|------------------|--------------------|
| Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5) | \$ | 6,429,802 |
| Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3) | | |
| | To City | - |
| | To other parties | - |
| Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6) | | (740,768) |
| Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7) | | (879,282) |
| Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8) | | (1,896,159) |
| Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9) | | - |
| 18 Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance | | (815,665) |
| Amount to be remitted to county for disbursement to taxing entities | \$ | <u>2,097,928</u> a |

a) The Successor Agency of the Seal Beach Redevelopment Agency is requesting to use this residual amount for the Sewer Easement purchase in the amount of \$1,321,384 and the Mobile Home Park Revenue Bonds in the amount of \$313,772. The Successor Agency will be meeting and conferring with the Department of Finance on November 26, 2012 regarding the Sewer Easement and Mobile Home Park. In sum, if DOF approves items # 7 and 10 on ROPS III, this number will be reduced to \$462,772.

City of Seal Beach



CITY HALL 211 EIGHTH STREET
SEAL BEACH, CALIFORNIA 90740
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November 30, 2012

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 North Brea Boulevard, Suite 203
Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former Seal Beach Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:
 - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
 - b. In accordance with 34179.5(c)(2), the dollar value of all assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. We have also provided the documentation of any enforceable obligation that required the transfer.
 - c. In accordance with 34179.5(c)(3), the dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. We have also provided documentation of any enforceable obligation that required the transfer.
 - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.
 - e. In accordance with 34179.5(c)(5), a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012.

- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
 - g. In accordance with 34179.5(c)(5)(C), an itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value.
 - h. In accordance with 34179.5(c)(5)(D), an itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, we have provided a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements.
 - i. In accordance with 34179.5(c)(5)(E), an itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on this Due Diligence Review.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
9. The Successor Agency of the former Seal Beach Redevelopment Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with AB 1X 26 and AB 1484.

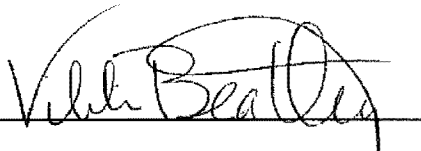
11. There are no known violations of:

- a. Laws and regulations,
- b. Provisions of contracts and grant agreements,
- c. Provisions related to the dissolution of the Redevelopment Agency in ABx1 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.

12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.

13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: _____



Signed: _____

Title: _____

DIRECTOR OF FINANCE

Title: _____